

**Kosovo Agribusiness Development Program  
Quarterly Report September–November 2000**

**Submitted by**

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## Acronyms and Abbreviations

AFUP	Agricultural Faculty of the University of Prishtina
BP	Business Plan
CFA	Central Fiscal Authority
CORDAID	Catholic Organization for Relief and Development Aid
CPC	Crop Protection Chemical
EAR	European Agency for Reconstruction
EU	European Union
FFP	Food for Progress
FSLMU	Finance Service and Loan Management Unit
IFDC	International Fertilizer Development Center
ILO	International Labor Organization
KADP	Kosovo Agribusiness Development Program
KODAA	Kosovo Agri-Inputs Dealers Association
mt	Metric ton
NGO	Nongovernmental Organization
PSES	Private Sector Extension Service
SHMK	Kosovo Flour Millers Association
SHPUK	Kosovo Poultry and Feed Millers Association
SME	Small and Medium Enterprises
STC	Short-Term Consultant
TTC	Technology Transfer Center
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WB	World Bank
WFP	World Food Program
WTO	World Trade Organization

# **Kosovo Agribusiness Development Program**

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### **Introduction**

For consistency and ease of understanding, the Kosovo Agribusiness Development Program (KADP) quarterly reports largely follow the format of the work plan submitted to the United States Agency for International Development (USAID) in June 2000. Progress is reported for each of the six program areas (association development, policy analysis and implementation, private sector extension services, agro-processing and marketing, credit facilitation, and trade and procurement) and for two service areas (monitoring and evaluation and media and publications). For the first year of the project, each report will first give a general assessment of progress of the project given the constraints arising from a volatile working environment. Additionally, progress will be reported on the establishment of the administrative basis of KADP in terms of the trajectory of its startup and afterwards its status as it achieves maturity and full operations.

### **Operations**

The aim during the second quarter of the project was to build on the good start of the first quarter, complete the hiring of local staff, provide them training, reevaluate and fill expatriate staffing requirements, and generally put the whole operation in sailing trim while meeting the targets set out in the annual work plan and the unexpected challenges that seem to be a recurrent aspect of doing business in Kosovo.

Two short-term consultants—Maurice Sullivan and Rifat Barokas—provided valuable contributions on the policy front while the search continued for the elusive long-term resident expert on economic policy. IFDC intensified the search to find a candidate who is qualified, willing to serve in Pristina, and acceptable to both parties. IFDC management discussions with USAID in late October also led to a decision to engage long-term advisors for association

development and for agribusiness as soon as possible. Several potential candidates for all three positions have now been identified and interviewed, and are expected to be on board in January. In the meantime, short-term consultants are covering the work plan tasks.

The project is functioning well and has taken on board a Kosovar administration manager (with the intention of appointing him to the position of deputy chief of party next quarter if he proves suitable). Staff training progressed, including training units on marketing, survey techniques, monitoring, and evaluation. Systems are in place for placement of articles in the media, publishing technical brochures, and collecting and disseminating weekly data on agri-inputs and retail prices for fruits and vegetables. The relationships with partners such as the Catholic Organization for Relief and Development Aid (CORDAID) and the European Union (EU) and European Agency for Reconstruction (EAR) were strengthened.

### **Program Achievements**

The three project-supported agribusiness trade associations progressed well. The regular meetings of the membership and Boards of Directors and special seminars on marketing and fertilizer were well attended (over 75% of members). The agri-input dealers association members (KODAA) are eager to diversify their businesses, including into seed multiplication, and to provide technology for higher value crops to their farm customers. This has been supported by IFDC through six field demonstrations featuring 30 maize, 6 potato, and 25 winter wheat varieties and private sector extension services.

On the policy reform front, the campaigns to reduce tariff distortions have produced significant victories, with the total taxes on fertilizer imports now reduced from 26.5% to 15% (effective 6 October 2000), and with the decision to tax flour at the same rate as wheat (from 1 June 2001), thus removing a distortion that penalized the domestic milling industry. KODAA also secured a place for the private sector on the Department of Agriculture's seed council. Consultants produced useful reports on privatization and commercialization of currently underused public agricultural assets.

Association members are fulfilling their roles as reliable, competitive suppliers of inputs, e.g., by importing 18,000 mt (out of the domestic requirement of 22,000 mt) of winter wheat seed for the fall planting seasons, and with project help, negotiating with the EU programs to distribute maize, potato, sunflower and alfalfa seed for the spring season and another 15,000 mt of urea fertilizer. They also established contact with regional feed suppliers, imported modest quantities of chicken feed, and were supported by IFDC in the negotiation and purchase of feed provided by the EU/EAR/DG 1A/MCI feed supply program.

The project staff proceeded as scheduled to help clients with preparing 35 business plans, including evaluating 13 poultry farmer association members for loans from partner CORDAID. Results from the surveys demonstrate the benefits of the combined credit and technical assistance being offered to association members under the project.

### **Leveraged Support and Cooperation**

During the second quarter, the project completed the successful auction of 18,000 mt fertilizer supplied by EAR and secured agreement for an additional 15,000 mt of urea for auction in the coming quarter. As noted above, similar arrangements are being made for seed.

The project will coordinate with the USAID-funded SME project in preparing business plans and providing other help to 20 project client enterprises. The project is providing help to a client who received credit under German aid for a chicken hatchery that will benefit the growth of this target subsector. Although both the EU and the Swiss have decided to place their multi-media market information and horticultural projects out for bids, thus precluding exclusive arrangements linked to the project, IFDC expects to collaborate in the implementation of these activities.

The project continued to work with U.S.-owned Pioneer Seed Company in five field trials and to use the media as an effective partner in getting out news to agro-entrepreneurs. Contact has also been established with U.S.-owned Monsanto company for the collaborative seed and

CPC demonstrations, and provision of second-hand laboratory equipment to the Agricultural Faculty of the University of Prishtina and the Agricultural Institute at Peje.

### **Pending Issues and Future Activities**

During the coming quarter, the project will complete the expatriate long-term staffing under the revised approach. Three trade missions are under preparation for the next quarter - to Greece, Turkey, and Austria. They will help establish regional trade linkages.

In addition to the EAR auctions (15,000 mt of urea in December and February/March) which the project hopes will be limited to KODAA members, participants in the NPK auctions who have made their repayments according to the contract, and other bonafide input dealers (e.g., cooperatives), IFDC expects to receive approval next quarter for the request for maize and soy meal under the United States Department of Agriculture (USDA) Food for Progress (FFP) program.

In order to convince recalcitrant borrowers under the CORDAID program, the project is applying peer pressure and is cooperating with CORDAID to reschedule the loan repayments and to assist with business and financial planning. In addition, creditors conforming to the full terms and conditions of the credit contract have been offered an incentive to attend the trade mission to Greece at no expense to themselves! The additional loans to the poultry farmers have been suspended pending satisfactory performance by the KODAA creditors.

Another focus of the next quarter will be on ways to ensure long-term financial sustainability of the trade associations. IFDC will prepare the fertilizer regulation recommendations/legislation and will provide advice to United Nations Mission in Kosovo (UNMIK) as it prepares regulatory systems for seeds, crop protection products, and feed grain.

**KADP Activities by Quarter**  
**September 2000-November 2000**

Second Quarter Activities	Work Plan Target	Accomplishment
<b>I. Association Development</b>		
Training association members in financial/business planning and dues/fees structure concepts	3	<ul style="list-style-type: none"> <li>STC undertook training seminar to combined Assn. Boards and Exec. Dir. on financial and physical sustainability, including dues, fees and business plan.</li> </ul>
Develop association business plans and dues/fees structure	1	<ul style="list-style-type: none"> <li>Assn. have approved fees structures and due collection ongoing.</li> <li>Discussions ongoing with USAID-funded Chemonics group to combine expertise in joint training trainers and preparing BPs.</li> </ul>
Individual associations: Three regional meetings; membership drive; advocacy	3	<ul style="list-style-type: none"> <li>General membership of each Assn. have adopted system whereby each Assn. will conduct one general membership meeting every month at a different regional location.</li> <li>Each Assn. has held three general monthly meetings (participation: 75%-80% of estimated membership) and one Board meeting every 2 weeks (participation: 90%).</li> <li>Potential membership identified; Ex. Dirs. and Membership subcommittees have developed membership drive package that is currently being introduced to general membership; dues received to date: 25% of expected membership.</li> <li>IFDC/Assns. successful in lobbying CFA to remove customs duties on fertilizers from 6/10/00 (fertilizer now subject to only 15% sales tax, a reduction from overall tax/tariffs of 26.5%).</li> <li>IFDC/Assns. successful in lobbying CFA to remove the tax/tariff exclusion on imported flour from 1/6/01. From 1/6/01 flour will subject to 26.5% duties and thereby increases domestic competitive advantage for local importers of wheat and flour millers.</li> <li>Successfully lobbied EAR to include KODAA members in importation and distribution of spring seeds (maize, potatoes, alfalfa, sunflowers).</li> <li>Successfully lobbied UNMIK Pillar II "Dept Agric" to include a representative of private sector (KODAA) on "Committee of Seed Variety Evaluation and Approval."</li> <li>Have unsuccessfully lobbied WFP to purchase flour from local millers.</li> <li>Have unsuccessfully lobbied EAR to provide credit in kind for importation of 15,000 mt of milling wheat from regional sources.</li> </ul>

Second Quarter Activities	Work Plan Target	Accomplishment
<b>II. Policy Analysis</b>		
Policy Issue Analysis & Recommendations: Trade, Enterprise Privatization Framework	2	<ul style="list-style-type: none"> <li>STC prepared report on agrokombinat privatization framework (current status and recommendations).</li> <li>STC prepared report on the status of the technical work undertaken to date on agricultural policy, trade issues, procurement, etc., and recommendation on future direction.</li> </ul>
Industry Analysis: Feed and Flour, Poultry (Egg)	2	<ul style="list-style-type: none"> <li>STC presented report on current status of flour milling industry and projections on industry future (both public and private sectors).</li> <li>STC has prepared report on poultry industry status and rehabilitation needs. His visit also included several seminars (involving Ag Faculty Uni Prishtina and SHPUK members) on chicken feed quality issues and future feed milling needs.</li> </ul>
Input Regulations: CPC	1	<ul style="list-style-type: none"> <li>Agreement has been reached with UNMIK Pillar IV that they will undertake regulation development on CPC and seeds in Q1/01; IFDC will provide technical advice.</li> <li>IFDC will undertake fertilizer regulation package/activity in Q1/01.</li> </ul>
Output Regulations: Animal Feed	1	<ul style="list-style-type: none"> <li>Agreement has been reached with UNMIK Pillar IV that they will undertake regulation development in Q1/01; IFDC will provide technical advice.</li> </ul>
<b>III. PSES</b>		
Field Demonstration at TTC for Wheat	1	<ul style="list-style-type: none"> <li>Five field demonstration sites have been planted, involving new regional and local varieties, fertilizer rates and types. Technical/promotional brochures prepared for each site for distribution to general public. In spring herbicide demonstrations will be conducted.</li> <li>Five technical leaflets prepared as part of extn. "kit" for KODAA members, progressive farmers and other interested parties.</li> </ul>
Extension methodology training in Seed	1	<ul style="list-style-type: none"> <li>Report prepared on 2000 maize variety demonstration evaluation and will be distributed to public in next 2 weeks (Albanian and English versions).</li> <li>STC not available until February 2001. Limit training undertaken at regional KODAA meetings (involving AFUP and IFDC staff).</li> <li>Lengthy and frequent discussions held with UNMIK Pillar IV STC consultants on seed industry needs and expectations.</li> </ul>



Second Quarter Activities	Work Plan Target	Accomplishment
<b>IV. Agro-processing &amp; Marketing</b>		
Rapid Appraisals: Comparative Advantages in Feed, Flour and Poultry (Egg)	2	<ul style="list-style-type: none"> <li>STC presented report on current status of flour milling industry and projections on industry future (both public and private sectors).</li> <li>STC has prepared report on poultry industry status and rehabilitation needs. His visit also included several seminars (involving Ag Faculty Uni Prishtina and SHPUK members) on chicken feed quality issues and future feed milling needs.</li> </ul>
Client site visits (26)		<ul style="list-style-type: none"> <li>Progressive private-sector entrepreneurs (av. 10 per month).</li> </ul>
Commercial training for entrepreneurs in general management, marketing, organizations/human resources and contracts		<ul style="list-style-type: none"> <li>STC has presented several seminars (involving Ag Faculty Uni Prishtina and Assn members) on marketing, trade and regulatory requirements.</li> </ul>
Technical assistance: STCs in greenhouse production and marketing		<ul style="list-style-type: none"> <li>Done Q3/00.</li> </ul>
<b>V. Credit Facilitation</b>		
FSLMU trained in Financial Aspects of Agribusiness Management, Basic Accounting for Non-Financial Mgrs, Financial Statement Analysis, BP preparation	8	<ul style="list-style-type: none"> <li>Member of KADP selected to participate in a 4-week "training the trainer" program (funded by ILO and Italian government).</li> <li>Training ongoing.</li> </ul>
Monitoring of CORDAID repayments		<ul style="list-style-type: none"> <li>Monitoring continues.</li> <li>Credit recipients requested rescheduling of loan repayments #5-8 due to poor business sales/performance as result of summer 2000 drought.</li> <li>IFDC FSLMU currently reevaluating forward BPs.</li> </ul>
Credit information to association members		<ul style="list-style-type: none"> <li>Members of FSLMU and Ex. Dirs. have presented information on services and availability to Assn Boards and members.</li> </ul>
BP preparation for 15 KODAA members commences	15	<ul style="list-style-type: none"> <li>In cooperation with USAID-funded Chemonics program, names of 20 Assn members selected and provided to Chemonics for business evaluation. BPs will be jointly prepared by IFDC/Chemonics.</li> </ul>
Credit application assistance for 15 SHPUK members	15	<ul style="list-style-type: none"> <li>35 BPs prepared and submitted to CORDAID for consideration for credit; 13 successful.</li> </ul>
Financial counseling provided to 11 association members	11	<ul style="list-style-type: none"> <li>BPs for 4 members of SHMK prepared for possible WB credit.</li> <li>Counseling provided to additional 20 Assn. members.</li> </ul>
Monthly Loan Report		<ul style="list-style-type: none"> <li>Preparation and presentation ongoing.</li> </ul>
CORDAID Reports: Client BS & P/L Statements; Macro-economic Report & Project Status Report		<ul style="list-style-type: none"> <li>Preparation and presentation ongoing.</li> </ul>
<b>VI. Trade &amp; Procurement</b>		
Staff training in trade mission management and WTO/EU parameters		<ul style="list-style-type: none"> <li>Policy Advisor will undertake Q1/01.</li> </ul>

Second Quarter Activities	Work Plan Target	Accomplishment
Donor commodity aid logistical management		<ul style="list-style-type: none"> <li>• Proposal submitted to USDA FFP; waiting approval from USDA.</li> <li>• Regular advice and information on regional and international suppliers provided to FAO and NGO communities.</li> </ul>
Establish international/regional market connections via a trade mission, inter-Balkan conference and trade fair		<ul style="list-style-type: none"> <li>• Trade missions currently under preparation:</li> <li>• KODAA trip to Thessaloniki Agricultural Trade Fair, January 26-30, 2001. Trip participants maximum 50.</li> <li>• SHPUK trip to visit poultry producers and processors in Turkey, January 2001. Trip participants maximum 8.</li> <li>• SHMK trip visit to flour millers and equipment manufacturers in Austria, February 2001. Trip participants maximum 8.</li> <li>• SHMK trade delegation to Bulgaria to investigate milling wheat supplies.</li> <li>• Contact established with 15 regional and international input and commodity suppliers; data base established and regularly updated.</li> <li>• Appropriate conferences currently not being conducted in Balkans.</li> </ul>
<b>VII. Monitoring &amp; Evaluation</b>		
Input survey: Increase (%) use in fertilizer		<ul style="list-style-type: none"> <li>• AFUP, in association with IFDC, conducted survey to measure distribution, retail price and impact of EAR NPK fertilizer program.</li> <li>• Survey on retail prices of agri-inputs and basic commodities is ongoing and updated weekly. Processed data periodically made available to the media, and the international community via FAO.</li> </ul>
Farm production yield survey in maize and potato		<ul style="list-style-type: none"> <li>• Undertaken by FAO; technical advice and discussion provided by IFDC.</li> </ul>
Income increase survey on farmers receiving credit		<ul style="list-style-type: none"> <li>• One survey completed and report prepared; second survey will be implemented in Q2/01.</li> <li>• STC contracted to provide practical and theoretic training in survey design, methodology, and evaluation to IFDC staff (both survey staff and Ex. Dirs.).</li> </ul>
New investment in agribusiness equity measured		<ul style="list-style-type: none"> <li>• Survey undertaken of SHMK, SHPUK and KODAA to measure post-war investment (2.9 mil DM, 14 mil DM and 1.0 mil DM respectively) and future requirements (physical and financial).</li> </ul>
Ag-statistics Reports due to UNMIK		<ul style="list-style-type: none"> <li>• Regular updates provided to UNMIK.</li> </ul>

Second Quarter Activities	Work Plan Target	Accomplishment
<b>VIII. Media &amp; Technical Publications</b>		
TV spot on KADP concept and services		<ul style="list-style-type: none"> <li>Completed.</li> </ul>
TV spot on association objectives & benefits		<ul style="list-style-type: none"> <li>Completed.</li> </ul>
Membership drive emissions		<ul style="list-style-type: none"> <li>Completed.</li> </ul>
Advocacy: media round tables (TV & radio)		<ul style="list-style-type: none"> <li>Under preparation; production/transmission scheduled Week 3, December.</li> </ul>
PSES field day coverage		<ul style="list-style-type: none"> <li>Completed (5 field days, technical report, newspaper articles, TV coverage).</li> </ul>